Supreme Court, U.S.
FILED
NOV 12 1992
OFFICE OF THE CLERK

Nos. 92-482, 92-645

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

THE CHASE MANHATTAN BANK, N.A.,
Petitioner,
v.
AMERICAN LAND TITLE ASSOCIATION, *et al.*,
Respondents.

STEPHEN R. STEINBRINK,
ACTING COMPTROLLER OF THE CURRENCY, *et al.*,
Petitioner,
v.
AMERICAN LAND TITLE ASSOCIATION, *et al.*,
Respondents.

On Petitions for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

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BRIEF AMICUS CURIAE OF THE INDEPENDENT INSURANCE AGENTS OF AMERICA, INC., NATIONAL ASSOCIATION OF CASUALTY & SURETY AGENTS, NATIONAL ASSOCIATION OF LIFE UNDERWRITERS, AND NATIONAL ASSOCIATION OF PROFESSIONAL INSURANCE AGENTS, IN SUPPORT OF RESPONDENTS

JONATHAN B. SALLET *
ANN M. KAPPLER
JENNER & BLOCK
601 Thirteenth Street, N.W.
Twelfth Floor
Washington, D.C. 20005
(202) 639-6000
Counsel for Amici

November 1992

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTION PRESENTED

Whether national banks may engage in the title insurance agency business outside of the limitation established by Congress in 12 U.S.C. 92, the only statutory enactment to address the permissible scope of insurance agency activities by national banks?

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INTEREST OF AMICI

Amici curiae Independent Insurance Agents of America, Inc., National Association of Casualty & Surety Agents, National Association of Life Underwriters, and National Association of Professional Insurance Agents are non-profit national trade associations that represent hundreds of thousands of insurance agents and their employees throughout the United States. *Amici* are respondents in *United States National Bank of Oregon v. Independent Ins. Agents of Am., Inc.*, No. 92-484, and *Steinbrink v. Independent Ins. Agents of Am., Inc.*, No. 92-507, which the Solicitor General has suggested should be treated the same as this case.

Amici have long maintained that their members' interest in sustaining and improving the insurance business environment is served by endorsing the separation of banking and insurance as provided under current law. In this regard, *amici* and their state affiliates have participated as parties and *amici* in numerous federal actions concerning the power of banks to engage in the business of insurance, including several cases that petitioners contend are relevant here. *See Owensboro Nat'l Bank v. Moore*, No. 91-3 (E.D.Ky. Aug. 4, 1992) (appeals pending); *Variable Annuity Life Ins. Co. v. Clarke*, 786 F. Supp. 639 (S.D. Tex. 1991), *appeal pending*, No. 92-2010 (5th Cir.); and *American Ins. Ass'n v. Clarke*, 865 F.2d 278 (D.C. Cir. 1988).

Amici fully support the arguments presented by Respondents and submit this brief to supplement those arguments.[1]

INTRODUCTION AND SUMMARY OF ARGUMENT

In its decision below, the United States Court of Appeals for the Second Circuit unanimously held that na-

[1] All the parties to this action have consented to the filing of this *amicus* brief in support of Respondents. Their letters of consent have been lodged with the Court.

tional banks are not empowered by the National Bank Act (the "Act") to act as agents for insurance companies in the sale of title insurance. *American Land Title Ass'n v. Clarke*, 968 F.2d 150 (2d Cir. 1992) ("*ALTA*"). The court ruled that Section 92 of the National Bank Act limits national banks' incidental powers under Section 24 (Seventh) of the Act. The Court concluded that "the language of Section 92 evinces Congress' intent to bar national banks that fall outside of the provision's geographical restrictions from acting as insurance agents." *Id.* at 155. The Court further concluded that the contemporaneous legislative history "indicate[s] that when Congress enacted Section 92, it did so in the belief that under existing banking law (specifically 12 U.S.C. § 24 (Seventh)) national banks had no authority to engage in insurance agency activities. Furthermore, the Comptroller's [1916] letter provides evidence that Congress intended to withhold from national banks, located in towns with over 5,000 inhabitants, the authority to sell insurance." *Id.* at 156.

Without having received briefing or hearing argument on the issue, the Second Circuit, as a preliminary point, *sua sponte* concluded that Section 92 had not been repealed, disagreeing with the D.C. Circuit's contrary holding in *Independent Ins. Agents of America v. Clarke*, 955 F.2d 731, *reh'g, en banc, denied*, 965 F.2d 1077 (D.C. Cir. 1992) ("*IIAA*") (petitions pending). By contrast, the D.C. Circuit, sitting *en banc*, considered fully-briefed arguments on both sides of the issue before declining to vacate the *IIAA* panel's ruling that Section 92 no longer exists.[2] The D.C. Circuit's well-reasoned decision in *IIAA*, effectively endorsed by the full court sitting *en banc*, correctly resolves the issue of Section 92's continued existence.

There is no meaningful conflict on this issue. Petitioners misread the Second Circuit's decision below in assert-

[2] No member of the full D.C. Circuit court voted to rehear the panel's decision regarding the existence of Section 92.

ing that there is such a conflict. To be sure the court, in *dicta*, disagreed with the D.C. Circuit's conclusion that Section 92 does not exist. But the key to the court's reasoning is that Section 92 was *enacted* in the first instance—a conclusion that no one challenges. Having enacted Section 92, Congress made clear its view that Section 24 (Seventh) does not provide for any insurance powers. The subsequent history of Section 92—whatever it is—sheds no additional light on the meaning of Section 24 (Seventh). Thus, the Second Circuit's decision below would be no different even if it had concluded that Section 92 was repealed. Moreover, the issues presented to the two courts, and the court's holdings, are very different. No one is subject to conflicting directives as a result of the two decisions. Further, the question of Section 92's continued existence may arise in two other Circuits and there is no need to address the issue now.

Nor does that portion of the Second Circuit's reasoning concerning the interaction of Section 92 and Section 24 (Seventh) warrant review by this Court. Contrary to petitioners' assertions, there is no real or direct conflict with the decisions of other courts; the reasoning is consistent with the language and legislative history of the Act; and the decision does not threaten national banks' previously-authorized insurance-related activities.

Petitioners' belief that national banks should be permitted to engage in a wide range of non-banking activities—including the sale of title insurance—should be addressed to Congress. This Court is not the forum for effectuating policy changes.

ARGUMENT

I. THERE IS NO REASON TO ADDRESS THE CONTINUED EXISTENCE OF SECTION 92.

The Chase Manhattan Bank, N.A. ("Chase") alone requests review of the Second Circuit's conclusion that Section 92 of the National Bank Act continues to exist. The Solicitor General, on behalf of the Office of the Comptroller of the Currency ("Comptroller"), pointedly refrains from raising that issue here, asking this Court instead to review the D.C. Circuit's ruling in *IIAA*. *Steinbrink v. Independent Ins. Agents of Am., Inc.*, No. 92-507. The issue does not warrant this Court's review in either case.[3]

A. There Is No Meaningful Conflict Between the Circuits.

Contrary to petitioners' representations, there is no meaningful conflict between the Second Circuit and the D.C. Circuit. The Second Circuit's conclusion below was *dicta*: the court need *not* have resolved the issue of Section 92's continued existence in order to conclude that national banks are not empowered to act as agents for title insurance companies. It is the *enactment* of Section 92 that evinces Congress' intent to limit national banks' power to sell insurance. Its subsequent history, however construed, cannot change this conclusion. Regardless whether Section 92 exists or not, national banks are not permitted to engage in the sale of title insurance as agents for insurance companies. For that reason, there was no necessity for the court to decide whether Section 92 had been repealed.

It is well-established that national banks are limited to those activities authorized them by law. *E.g., Texas &*

[3] *Amici*, respondents to the petitions seeking review of the D.C. Circuit's decision in *IIAA*, will more fully address the reasons why review of this issue is not warranted in their opposition brief in *IIAA*. That brief is due to be filed on November 21, 1992.

Pac. Ry. Co. v. Pottorff, 291 U.S. 245, 253 (1934); *Logan County Nat'l Bank v. Townsend*, 139 U.S. 67, 73 (1891). Congress enacted the predecessor of Section 24(Seventh) in 1863. Act of Feb. 25, 1863, Ch. 58, § 11, 12 Stat. 665, 668. Like the current version, the statute identified a series of express powers, and included the provision of "incidental" and "necessary" powers. *See* 12 U.S.C. § 24 (Seventh).

In 1916, then-Comptroller of the Currency, John Skelton Williams, wrote a letter to the Senate Banking and Currency Committee requesting that national banks located in small towns be permitted to act as insurance agents. 53 Cong. Rec. 11001 (daily ed. July 14, 1916).[4] The Comptroller expressed a desire to find a statutory mechanism whereby "the powers of small national banks might be *enlarged* so as to provide them with additional sources of revenue and to place them in a position where they could better compete with local State banks and with companies which are sometimes authorized under the law *to do a class of business not strictly that of commercial banking*." *Id.* (emphasis added). The Comptroller stated, however, that "from the standpoint of public policy and banking efficiency this authority should be limited to banks in small communities." *Id.* Accordingly, the Comptroller proposed an amendment to the National Bank Act. Explicitly noting that national banks were conferred "incidental" and "necessary" powers, Comptroller Williams explained that his proposed amendment was nevertheless required because "[n]ational banks are not given either expressly or by necessary implication the power to act as agents for insurance companies." *Id.*[5] Comptroller Wil-

[4] The letter was entered into the congressional record by Senator Owens.

[5] This view conformed with the opinion of the Board of Governors of the Federal Reserve, which held in 1915 that national banks had no authority, express or implied, to engage in insurance agency activities. The Board ruled that "[a]ny such *extension* of the powers of national banks must be left to the consideration of Con-

liams therefore clearly understood that a national bank's acting as agent for an insurance company was *not* an "incidental power . . . necessary to carry on the business of banking." *Id.*

In response, Congress enacted Comptroller Williams' proposed amendment. Act of September 7, 1916, Pub. L. No. 64-270, 39 Stat. 752-53 (the "1916 Act"). The critical language of the 1916 Act, provides:

> Section fifty-two hundred and two of the Revised Statutes of the United States [Section 13 of the Federal Reserve Act of 1913] is hereby amended so as to read as follows: . . .
>
> "That *in addition to the powers now vested by law in national banking associations* organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; . . . ." (Emphasis added).

As the Fifth Circuit has recognized, prior to enactment of Section 92, "no national bank possessed *any* power to act as insurance agents." *Saxon v. Georgia Ass'n of Ind. Ins. Agents*, 399 F.2d 1010, 1016 (5th Cir. 1968) (emphasis in original). By its explicit *addition* to national

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gress." 2 Fed. Reg. Bull. 73, 74 (Feb. 1, 1916) (emphasis added). At the time—as now—national banks were granted the power "[t]o exercise . . . all such incidental powers as shall be necessary to carry on the business of banking." *See id.* at 73.

banks' powers, Section 92 constituted the sole source of authority for national banks to engage in insurance-agency activities.[6] Section 92 was thought necessary precisely for the reason that, as was universally understood, national banks otherwise had neither the express nor incidental power to sell insurance. Section 92 thus reflects Congress' understanding that insurance-agency powers were beyond the powers conveyed by the other provisions of the National Bank Act—including the grant of "such incidental powers as shall be necessary to carry on the business of banking." *See Texas & Pac. Ry. Co. v. Pottorff*, 291 U.S. at 258 & n.13 (amendment to National Bank Act to provide limited power to pledge assets to secure deposits "indicates that Congress believed that the original act had not granted general power to pledge assets to secure deposits") (citing legislative history similar to that of Section 92).[7]

In 1918, as the D.C. Circuit correctly ruled in *IIAA*, Congress repealed Section 92. Section 92 is the only statutory enactment that has ever addressed the insurance agency powers of national banks. The effect of Congress'

[6] *See Botany Worsted Mills v. United States*, 278 U.S. 282, 289 (1929) ("When a statute limits a thing to be done in a particular mode, it includes the negative of any other mode."); *National R. Passenger Corp. v. National Ass'n of R. Passengers*, 414 U.S. 453, 458 (1974) (same); *Midland Telecasting v. Midessa Television Co.*, 617 F.2d 1141, 1145 n.7 (5th Cir.) ("The existence of a specific [statutory] exemption covering certain acts is evidence that Congress did not intend to grant immunity to other acts not covered by the explicit exemptions."), *cert. denied*, 449 U.S. 954 (1980).

[7] The Court noted in *Pottorff* that the fact that Congress enacted the limited power in a separate section, rather than as an amendment to Section 24(Seventh), indicates that Congress did not mean merely to clarify that the power of a national bank to pledge its assets to secure deposits was contained in the grant of "incidental" powers. 291 U.S. at 259. Similarly, the enactment of the limited insurance-agency authority in a separate statutory provision (Section 92) refutes any suggestion that it was merely a clarification of powers already conferred by Section 24(Seventh).

repeal of Section 92 is thus plain: there is no longer *any* authority for national banks to sell insurance. The repeal of Section 92 reinforces Congress' intention to deprive national banks of even the limited authority to sell insurance in small towns that it briefly permitted from 1916 to 1918. Congress thus reinstated the law as it existed prior to Section 92's enactment: "no national bank possesse[s] *any* power to act as insurance agents." *Saxon*, 399 F.2d at 1016 (emphasis in original).

Yet the Comptroller, in his decision at issue in this case, has authorized national banks to engage in this very activity. He has authorized Chase to act as agent for title insurance companies. This is precisely the power once permitted (in small towns only) that Congress rescinded in 1918. As Comptroller Williams recognized 75 years ago, "the Comptroller of the Currency has no right to authorize or permit a national bank to exercise powers not conferred upon it by law." 53 Cong. Rec. 11001 (daily ed. July 14, 1916).

Thus, contrary to petitioners' assertions, even if this Court were to grant review and determine that the Second Circuit incorrectly ruled on Section 92's continued existence, that determination would not alter the outcome of the Second Circuit's decision.

B. The Second Circuit's Ruling, in *Dicta*, and the D.C. Circuit's Ruling Regarding Section 92's Existence Do Not Create Conflicting Obligations or Rights for Any Entity.

In *IIAA*, these *amici* challenged the Comptroller's ruling permitting the United States National Bank of Oregon to sell insurance from its office located in a town of less than 5,000 to customers located throughout the United States, pursuant to Section 92 of the National Bank Act. *Amici* argued, in *IIAA*, that a national bank's insurance-agency activities must be confined to the "small town" in which it is located. The D.C. Circuit held that

Section 92 no longer exists. Because the Comptroller had cited no other authority for its challenged ruling, the court concluded that the ruling was not in accordance with law. 955 F.2d at 739. That is, the D.C. Circuit held that the Comptroller cannot invoke Section 92 as a source of authority to permit national banks to sell insurance from "small towns."

By contrast, the decision below presents and addresses only the narrow issue of national banks' authority to sell title insurance. The Second Circuit held that, given Section 92, the Comptroller cannot invoke Section 24 (Seventh) as a source of authority to permit national banks to sell title insurance from offices that are not located in small towns.

The two decisions address very different issues. And the two holdings concern entirely different topics. Accordingly, neither the Comptroller nor any other entity is subject to conflicting directives from or accorded different rights by the two courts.

C. The Issue Is Currently Percolating in the Courts.

In contrast to the Second Circuit's decision below, the issue of Section 92's continued existence is squarely presented in a case currently pending before the Sixth Circuit. In *Owensboro Nat'l Bank v. Moore*, three national banks with small town offices, invoking Section 92 of the National Bank Act, sought to be licensed to sell insurance in Kentucky. When they were denied license applications, the national banks brought suit against the Kentucky Commissioner of Insurance and Department of Insurance, alleging that Section 92 pre-empts Ky. Rev. Stat. 287.030, which the Commissioner had interpreted as prohibiting any bank—state or national—from being licensed to sell insurance in the Commonwealth. While cross-motions for summary judgment were pending, the D.C. Circuit's decision issued in *IIAA* and the district court asked the parties to brief the issue of Section 92's continued existence. Before the court reached its decision, the Second Circuit

issued its opinion below. The district court eventually concluded that Section 92 exists, expressly adopting the Second Circuit's analysis, and held that Section 92 pre-empts the more restrictive Kentucky law. *Owensboro Nat'l Bank v. Moore*, No. 91-3 (E.D.Ky. Aug. 4, 1992).

Amici's Kentucky affiliates, intervenor-defendants in the case, and the state defendants have appealed to the Sixth Circuit.[8] One of the issues on appeal is the existence of Section 92. If the Sixth Circuit rules that Section 92 was repealed, the non-existent statute cannot then pre-empt any state law and the district court's decision will be reversed. Such a holding, in contrast to the Second Circuit's decision below, will *directly* address the powers of national banks pursuant to Section 92, and will be consistent with the D.C. Circuit's holding in *IIAA*.

If, on the other hand, the Sixth Circuit affirms, it will hold that the national banks are entitled to sell insurance pursuant to Section 92. That holding—*unlike* the decision below—will directly conflict with the D.C. Circuit's decision in *IIAA*.

At a minimum, this Court should await the decision of the Sixth Circuit, which may provide clarification and additional assistance to this Court in considering whether there is a need to address the issue of Section 92's continued existence.[9]

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[8] The United States is appearing as an intervenor-plaintiff in the case.

[9] The issue may also arise in a case currently pending before the Fifth Circuit. *Variable Annuity Life Ins. Co. v. Clarke*, No. 92-2010 ("*VALIC*"). *VALIC* concerns the Comptroller's ruling that national banks may sell annuities pursuant to Section 24(Seventh). Appellant has argued that the Fifth Circuit should follow its decision in *Saxon* and the Second Circuit's reasoning here and hold that Section 92 restrains the "incidental" insurance powers of national banks. Before reaching this issue, the Fifth Circuit, like the Second Circuit, may feel compelled to address the question of Section 92's continued existence.

II. THERE IS NO NEED FOR THIS COURT TO ADDRESS THE ISSUE OF THE INTERACTION OF SECTIONS 92 AND 24 (SEVENTH) OF THE NATIONAL BANK ACT.

Both the Solicitor General and Chase ask this Court to review a portion of the Second Circuit's *reasoning* below—the court's determination that "[S]ection 92 impliedly bars national banks in towns with more than 5,000 inhabitants from engaging in insurance agency activities in general." 968 F.2d at 156.[10] Petitioners claim that the Second Circuit's reasoning conflicts with the decisions of other Circuit Courts; that the reasoning is erroneous; and that it "calls into question a variety of activities performed by national banks." OCC Pet. 9. As Respondents make clear, all of petitioners' claims are wrong. *Amici* fully embrace Respondents' arguments and offer the following additional points.

A. There Is No Real Conflict With Any Other Court.

The Second Circuit addressed a narrow issue of first impression: whether national banks are empowered to act as agent in the sale of title insurance. Other than the district court in the same case, no other court before or since has addressed this issue. Thus, there can be no direct conflict with the Second Circuit's holding.

Petitioners do not seek review of the Second Circuit's narrowly confined holding. Rather, they seek review of a more amorphous portion of the court's *reasoning* in reaching its decision, contending that it "conflicts" with the reasoning of other courts. But the purported disagreement in reasoning does not warrant this Court's review.

In contending that the Second Circuit reasoning conflicts with the decision of the D.C. Circuit in *Independent Bankers Ass'n of America v. Heimann*, 613 F.2d 1164

[10] The court went on to inquire "whether this prohibition applies to title insurance activities in particular." *Id.*

(1979), *cert. denied*, 449 U.S. 823 (1980), petitioners misrepresent the *Heimann* court's reasoning and ruling.[11] That case concerned bankers' challenge to a Comptroller regulation preventing insiders of national banks from benefitting personally by the regular receipt of credit life insurance income sold to borrowers of such banks. Plaintiffs alleged that the regulation, by approving various methods which enable national banks to sell credit life insurance, violated Section 92. The D.C. Circuit disagreed: "[u]nlike other forms of insurance coverage . . . credit life insurance is a limited special type of coverage written to protect loans. In no way does it involve the operations of a general life insurance business whether written in a town of over or under 5,000 inhabitants." *Id.* at 1170. That is, the *Heimann* court concluded that credit life insurance does not fall within the ambit of Section 92.[12] This reasoning is not irreconcilable with the Second Circuit's view that, when national banks' insurance-related activity does come within the meaning of Section 92, Section 92 constrains that activity.

As the *Heimann* court stated with regard to *Saxon*, *Heimann* is "simply not in point" here. 613 F.2d at 1170. The case before the Second Circuit had nothing to do with credit life insurance, and the court carefully distinguished the *Heimann* decision. Therefore, petitioners cannot plausibly contend that the *Heimann* case would have come out differently under the Second Circuit's reasoning. Even if there were a clear disagreement between the courts as to the effect of Section 92 on national banks'

[11] This is the only "conflict" the Solicitor General identifies. Chase strains to find other purported "conflicts."

[12] In a footnote the Court stated that "[b]y its own terms, the statute does not address the authority of national banks in larger towns or cities to act as agents for life insurance companies." *Id.* at 1170 n.18. But, contrary to petitioners' suggestions, the court did *not* go on to hold—even in *dicta*—that Section 92 does not *implicitly* bar national bank insurance-agency activities outside small towns.

insurance-agency powers pursuant to Section 24 (Seventh) —and there is not—it has no practical impact.

Nor, contrary to Chase's suggestion, is there any conflict with the reasoning of the D.C. Circuit in *American Ins. Ass'n v. Clarke*, 865 F.2d 278 (D.C. Cir. 1988), in which the court upheld the Comptroller's ruling that national banks may use standby credits to insure municipal bonds pursuant to Section 24 (Seventh). Section 92 is not even mentioned in the court's decision. Rather, after expressly reserving the question whether the product at issue "meets the legal criteria for insurance under various regulatory schemes," *id.* at 280, the court concluded that the sale of this sort of "municipal bond insurance" was "within the business of banking" because it was the functional equivalent of issuance of standby letters of credit.

And in *Variable Annuity Life Ins. Co. v. Clarke*, 786 F. Supp. 639 (S.D. Tex. 1991) (appeal pending), the district court upheld the ruling of the Comptroller that fixed and variable annuities constitute "financial investment instruments" and not "insurance" for purposes of the National Bank Act, and that therefore national banks are permitted to sell annuities pursuant to their Section 24 (Seventh) "incidental powers." If, in fact, annuities are not "insurance" (a point with which *amici* disagree), it is not clear that their sale by national banks would be threatened by the Second Circuit's view of Section 92. In any event, the Fifth Circuit has yet to review the case.

B. Petitioners' Dire Predictions of Threatened National Bank Powers As a Result of the Second Circuit's Decision Are Pure, Unfounded Speculation.

Perhaps because they recognize that the practical impact of the Second Circuit's decision is minimal,[13] peti-

[13] The Court held only that national banks located in towns with populations exceeding 5,000 may not sell title insurance. Neither petitioner suggests that there are large numbers of such banks selling or intending to sell title insurance or that such sales produce substantial profits for the banks. The Second Circuit's decision does not upset well-settled expectations.

tioners contend that the decision "calls into question the ability of national banks to sell a host of other products they have long offered to their customers." OCC Pet. 17. But petitioners offer nothing short of speculation as to how a future, unknown court might or might not rule on an as-yet-unmounted challenge to national bank activity other than that involved in this case. Certainly nothing in the Second Circuit opinion calls into question these other activities; the court did not command that any of the previously-authorized activities be ceased. To the contrary, to the extent the court discussed "insurance-related" activities other than the sale of title insurance, the court was careful not to disagree with the *Heimann* court's conclusion that national banks may sell credit life insurance.

If the Second Circuit decision does engender "uncertainty" in the future about other national bank activities, there will be opportunity for this Court to address the problem *when it arises*. The Court should not expend its limited resources to reach out to address a contingency that may never occur.

C. None of Petitioners' Arguments That the Second Circuit's Decision Is Wrong Is Persuasive.

Without a real and direct conflict, petitioners resort to asking this Court to sit as a court of error and correct what they view to be the Second Circuit's erroneous decision. Not only have they miscast this Court in that role, *see Ross v. Moffitt*, 417 U.S. 600, 616-17 (1974), but their arguments are meritless.

Contrary to petitioners' contention, Congress' use of the introductory phrase "in addition to" is entirely consistent with the Second Circuit's reasoning. The phrase demonstrates that insurance-agency activities were "in addition to" the powers granted by Section 24(Seventh), which cannot, therefore, include insurance-agency activities. In-

deed, petitioners can make their statutory language argument only by separating it from their discussion of the legislative history of Section 92. That history conclusively demonstrates that the 1916 Congress had precisely the understanding echoed by the Second Circuit—that Section 92 was needed to confer insurance-agency powers "in addition to" the powers granted by Section 24(Seventh) because Section 24(Seventh) does not permit the exercise of *any* insurance-agency activities. *See supra* at 6-8 (discussing legislative history). By splitting their discussion of the statutory language and the legislative history, petitioners distort both.[14]

Focussing on a much narrower issue, the Solicitor General tries to perform a verbal sleight-of-hand with his argument that the phrase "agent for any fire, life or other insurance company," demonstrates that Section 92 addresses, at the most, only the sale of "broad forms of insurance." OCC Pet. 13-14. The Solicitor General appears to equate the term "other" with "broad"—a word that appears nowhere in the statute or the legislative history, and whose meaning he does not define in this context.[15] But there is no linguistic or logical relation

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[14] The above discussion exposes the fallacy of petitioners' argument that the Second Circuit "misused" the principal of statutory construction, *expressio unius est exclusio alterius*. The Solicitor General notes that the principle "can never override clear and contrary evidence of Congressional intent." *Neuberger v. Commissioner*, 311 U.S. 83, 88 (1940). But the only expression of congressional intent—the legislative history—is entirely consistent with the Second Circuit's ruling. And the "in addition to" introductory language, at a minimum, does not demonstrate that the Second Circuit was *clearly* wrong.

[15] The Solicitor General seems to draw a distinction between "broad" forms of insurance and "more specialized forms of insurance." OCC Pet. 13. But—other than asserting that title insurance falls into the later category—he makes no attempt to give a reasoned explanation of this distinction or explain how a court might go about discerning the difference in a given case.

between the two terms. "Other," as used in Section 92, means simply any form of insurance company *other* than one that provides fire or life insurance. A title insurance company clearly meets that definition.

Neither Chase nor the Solicitor General presents a coherent interpretation of the National Bank Act. The Solicitor General contends that "[n]o party has argued that the power of national banks to engage in insurance agency activities incidental to the business of banking under Section 24(Seventh) authorizes banks to engage in an unlimited insurance agency business." OCC Pet. at 15. But he offers no clear vision of precisely what insurance-related activities *are* authorized by Section 24(Seventh) and how those powers could be reconciled with Section 92's limited authorization. *See also supra* n.15. Chase's attempt to distinguish large town banks' inability to engage in "the full range of general insurance agency activities authorized by section 92" from their purported ability to engage in "specific insurance agency activities that are incidental to banking under section 24(Seventh)" fairs no better. Chase Pet. 23. Chase, like the Solicitor General, is reaching for a result, not presenting a consistent legal theory.

III. THE ISSUES ON WHICH PETITIONERS SEEK REVIEW ARE NOT CLEANLY PRESENTED.

There are many issues buried in this case, and petitioners disingenuously suggest that this Court can meaningfully address the questions they present for review. The *first* issue is whether Section 92 was repealed in 1918; this was decided by the D.C. Circuit, and ruled on in *dicta* by the Second Circuit, but is currently before both the Fifth and Sixth Circuits. The *second* issue is whether Section 92, if in existence, constitutes a limitation on Section 24(Seventh); this issue was decided by the Second Circuit, but is currently pending before the

Fifth Circuit in *VALIC*, where the rule was first enunciated in *Saxon*, and the court may or may not adhere to the *Saxon* reasoning. The *third* issue is whether Section 92, even if repealed, constitutes a limitation on Section 24 (Seventh) as a result of its initial passage; the Second Circuit did not reach this issue, which is presented to the Fifth Circuit in *VALIC*, but would have to do so if this Court were to grant review and reverse the Second Circuit's conclusion that Section 92 still exists. *See supra* at 5-9. The *fourth* issue is whether, standing alone, Section 24(Seventh) can be interpreted to permit any insurance activities as "incidental and necessary" to banking and, if so, what activities, including the sale of title insurance, does it permit; this issue was presented to the Second Circuit below, but it concluded that it need not reach the question. *ALTA*, 968 F.2d at 157.

As noted above, even if this Court were to grant review and conclude that Section 92 had been repealed, Section 92's enactment must nonetheless be construed as limiting the authority of Section 24(Seventh)—a conclusion which does not alter the result below. Even if this Court were to conclude that Section 92 poses no such limitation, whether in existence or not, that conclusion still would not mean that the decision below must be reversed. Rather, the court below would go on to determine whether "the general grant of power contained in Section 24(Seventh) [is] sufficiently broad to encompass the title insurance agency business." *ALTA*, 968 F.2d at 157. In short, even if this Court were to grant the petitions and rule entirely in petitioners' favor, that decision would not resolve this case. *See Black v. Cutter Laboratories*, 351 U.S. 292, 297-98 (1956) ("This Court . . . reviews judgments, not statements in opinions.").

IV. THE CONTROVERSY REGARDING THE INSURANCE-RELATED POWERS OF NATIONAL BANKS SHOULD BE LEFT TO CONGRESS.

In the end, both Chase and the Comptroller disagree, *as a matter of policy*, with the restrictions placed on national banks' insurance-related powers by Congress as interpreted by the Second Circuit's decision. Chase's petition demonstrates precisely why this controversy should be left to Congress. Chase argues that the result below is unfair because national banks would be left at a competitive disadvantage vis-a-vis state financial institutions. Chase Pet. 25. Chase contends that it should be granted existence of the dual banking system.[16] Similarly, Chase argues that "[t]he increasing competition posed by nonbank financial institutions to the banking industry dictates that national banks not be judicially restrained from exercising the full range of their statutory powers." Chase Pet. 25. Chase contends that it should be granted the power to sell title insurance in order to enable it "to compete profitably in today's extremely competitive financial services marketplace." *Id.* 26.

Arguments about competitive advantages for and profitability of national banks should be presented to Congress, not this Court. Although the Comptroller and Chase might wish that national banks had been given a broader grant of authority, their remedy is to seek congressional action, rather than asking this Court to make policy. *See Board of Governors v. Dimension Fin. Corp.*, 474 U.S. 361, 364 (1986) (holding that it is for Congress, not the agency or courts, to remedy any perceived fault with federal statute).

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[16] "Ours is a dual banking system in the sense that state and national banks have existed side by side and in direct competition with each other for many years." *American Fidelity Bank & Trust Co. v. Heimann*, 683 F.2d 999, 1000 (6th Cir. 1982).

CONCLUSION

Amici agree with the Solicitor General that the petitions in this case and in *IIAA* should be treated similarly: The petitions for writ of certiorari should be denied in both cases.

Respectfully submitted,

JONATHAN B. SALLET *
ANN M. KAPPLER
JENNER & BLOCK
601 Thirteenth Street, N.W.
Twelfth Floor
Washington, D.C. 20005
(202) 639-6000
Counsel for Amici

November 1992

AMICUS CURIAE

BRIEF

Supreme Court, U.S.
FILED
NOV 12 1992
OFFICE OF THE CLERK

No. 92-482

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

THE CHASE MANHATTAN BANK, N.A.,
Petitioner,

v.

AMERICAN LAND TITLE ASSOCIATION, *et al.*,
Respondents.

On Petition for Writ of Certiorari To the United States Court of Appeals For the Second Circuit

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BRIEF OF THE AMICI CURIAE AMERICAN BANKERS ASSOCIATION, ET AL.,* IN SUPPORT OF THE PETITIONER

JOHN J. GILL III
Counsel of Record

MICHAEL F. CROTTY

AMERICAN BANKERS ASSOCIATION
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 663-5026

Attorneys for Amici Curiae

November 12, 1992

[*Complete list of sponsoring organizations and counsel on inside of cover.]

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

RICHARD M. WHITING
ASSOCIATION OF BANK HOLDING COMPANIES
730 15th Street, N.W.
Washington, D.C. 20005
(202) 393-1158

JAMES T. MCINTYRE
MCNAIR LAW FIRM
1155 15th Street, N.W.
Washington, D.C. 20005
(202) 659-3900
Attorney for Association of Banks in Insurance

MARCIA Z. SULLIVAN
CONSUMER BANKERS ASSOCIATION
1000 Wilson Boulevard
Arlington, Virginia 22209
(703) 276-1750

JOHN S. JACKSON
MINNESOTA BANKERS ASSOCIATION
730 Second Avenue South
Minneapolis, Minnesota 55402
(612) 338-5137

WADE L. NASH
MISSOURI BANKERS ASSOCIATION
207 E. Capitol
Jefferson City, Missouri 65101
(314) 636-8151

JOHN E. KNIGHT
BOARDMAN, SUHR, CURRY & FIELD
P.O. Box 927
Madison, Wisconsin 53701
(608) 257-9521
Attorney for Wisconsin Bankers Association

QUESTION PRESENTED

Whether Section 92 of the National Bank Act, granting insurance agency powers to national banks in small towns that are "in addition to the powers now vested by law in national banking associations," constitutes an implied limitation upon the incidental powers of national banks, granted elsewhere in the statute, where such banks are located in larger towns.

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On Petition for Writ of Certiorari
To the United States Court of Appeals
For the Second Circuit

BRIEF OF THE AMICI CURIAE AMERICAN BANKERS ASSOCIATION, ET AL., IN SUPPORT OF THE PETITIONER

The American Bankers Association, et al., hereby respectfully submit this brief as amici curiae in support of the Petitioner in accordance with the provisions of Rule 37.2 of the Supreme Court Rules. All parties have consented to this filing, and their written consents are filed with this brief.

INTEREST OF THE AMICI CURIAE

The American Bankers Association, Association of Bank Holding Companies, Association of Banks in In-

surance and Consumer Bankers Association are all national trade associations of the commercial banking industry. A large majority of commercial banks in the United States, their employees or the bank holding companies that own them are members of one or more of the associations. The Minnesota, Missouri and Wisconsin Bankers Associations are the principal trade associations for the banking industry within their respective states. All of the associations represent the interests of both national banks and state-chartered banks in the legislatures, regulatory agencies and in the courts on issues that are of widespread importance to the industry. This is such a case for the reasons set forth below.

REASONS FOR GRANTING THE WRIT

I. The Conflicts Among the Circuits

There are two conflicts among the circuits presented in this case. The first is whether or not Section 92 of the National Bank Act continues to exist; the second is over how to construe Section 92 assuming it does exist. For purposes of *this* case, the second is the more important of the two.

Section 92 of the National Bank Act was enacted in 1916. It was designed to grant to those national banks located and doing business in small towns the power to engage in the general insurance agency business. The opening clause of Section 92 provided that this power was to be "in addition to the powers now vested by law in national banking associations."[1] Among the powers then and now vested in national banking associations was the power to exercise "all

[1] Act of Sept. 7, 1916, ch. 461, 39 Stat. 752, 753 (1916).

such incidental powers as shall be necessary to carry on the business of banking."[2] The Comptroller of the Currency is charged with the interpretation and enforcement of these and other provisions of the National Bank Act. *Clarke v. Securities Industry Association*, 479 U.S. 388, 403-04 (1987).

In this case, Chase Manhattan, located and doing business in New York City, sought and received the approval of the Comptroller to engage in the business of selling title insurance as agent, as an exercise of its "incidental powers." The District Court upheld the Comptroller's action. *American Land Title Association v. Clarke*, 772 F. Supp. 1353 (S.D.N.Y. 1991).

On appeal, the Second Circuit reversed. In doing so, each of the court's two key holdings place the Circuit's decision in direct and irreconcilable conflict with decisions of other U.S. Courts of Appeals.

The most obvious conflict is with a District of Columbia Circuit opinion handed down four months earlier in *Independent Insurance Agents of America v. Clarke*, 955 F.2d 731 (D.C. Cir. 1992), and it concerns the very existence of Section 92 of the National Bank Act. Because of two arguably misplaced quotation marks in the statute enacting Section 92, subsequent legislation, enacted only two years later and on an entirely unrelated subject, is said to have repealed Section 92. The District of Columbia Circuit concluded that Congress did what it did, and that "section 92 has ceased to exist." *Id.* at 739. The Second Circuit, in the case below, explicitly disagreed with the District of Columbia Circuit, holding that whatever hap-

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[2] 12 U.S.C. § 24 (Seventh).

pened in 1918 did *not* effect a repeal of Section 92. *American Land Title Association v. Clarke*, 968 F.2d 150, 152 (2d Cir. 1992).

Obviously, this conclusion by the Second Circuit is absolutely critical to its ultimate holding. If Section 92 does not exist, then there is no basis upon which the court could find a "limitation" upon the incidental powers of national banks. It would have to have reached the question (which it declined to reach) whether title insurance agency activities fit within the incidental powers clause of the National Bank Act, and the decision cannot stand.

The respondent title associations, the Comptroller of the Currency, and your amici *all* take the position that the Second Circuit's decision upholding the continued existence of Section 92 is correct. Chase Manhattan does not take a contrary position. (*See Chase Manhattan Bank v. American Land Title Association*, No. 92-482, Pet. for Cert. at 12-13). The conflict between the Second and the District of Columbia Circuits is before the Court on petitions for writ of certiorari to review the District of Columbia Circuit opinion in the *Independent Insurance Agents* case. *Steinbrink v. Independent Insurance Agents of America*, No. 92-507; *U.S. National Bank v. Independent Insurance Agents of America*, No. 92-484. The Court can and should resolve the conflict over the existence of the statute in the context of those cases.

But doing so will not resolve the *second* conflict among the circuits that is created by the decision below in this case. If Section 92 does exist, is it an implied limitation upon the insurance powers of national banks in large towns or is it an independent grant of insurance powers to national banks in small

towns? That conflict is separate and distinct, and survives the outcome of the dispute over the existence of Section 92.

The Petitions for Writ of Certiorari in this and its companion case correctly point out that the decision of the Second Circuit here and of the Fifth Circuit in *Saxon v. Georgia Association of Independent Insurance Agents*, 399 F.2d 1010 (5th Cir. 1968) both construe Section 92 of the National Bank Act as a limitation upon the rights of national banks located in larger jurisdictions to engage in the insurance business, whether or not the particular insurance business in question might be considered "incidental" to banking. On the other hand, the District of Columbia Circuit, in *Independent Bankers Association of America v. Heimann*, 613 F.2d 1164 (D.C. Cir. 1979), *cert. denied*, 449 U.S. 823 (1980), and the Eighth Circuit, in *Independent Insurance Agents of America v. Board of Governors of the Federal Reserve System*, 736 F.2d 468 (8th Cir. 1984), both have clearly rejected the idea that there is that kind of negative inference to be drawn from Section 92.

While your amici agree with the Petitioners on this point, we respectfully suggest that this particular conflict between the circuits is even deeper and perhaps more subtle than it appears at first blush. The conflict has to do with the order in which the respective courts analyze the applicable or arguably applicable statutes in cases testing the powers of banks under the National Bank Act, and the priorities that are assigned to different sections of the law.

Here, the Second Circuit looked *first* at Section 92 of the Act. Having done so, it opted for an easy answer: Title insurance is insurance; insurance can

only be offered by those national banks located in small towns; Chase Manhattan is located in a large town, so it cannot offer title insurance; all other considerations are irrelevant. Had the Second Circuit instead looked first to Section 24 (Seventh) of the National Bank Act, it would have to have analyzed the question whether title insurance agency sales fit within the business of banking or, more precisely, whether the Comptroller of the Currency was within his rights in so concluding. If the court then had decided that title insurance *was* part of the business of banking, it could have dismissed sections of the law governing *non*banking activities as irrelevant—including Section 92. Other courts—even including another panel of the Second Circuit—have done precisely that, and the Second Circuit's failure to do so in this case creates a conflict in the framework for analysis of this particular issue and related ones.

In *First National Bank of Eastern Arkansas v. Taylor*, 907 F.2d 775 (8th Cir.), *cert. denied*, 111 S.Ct. 442 (1990), the bank proposed to offer "debt cancellation contracts" to its customers, alleging (with the agreement of the Comptroller of the Currency and the Comptroller's support as amicus curiae before the Eighth Circuit) that such contracts were within the incidental powers of national banks. The contracts provided that, for a fee, the bank would cancel a borrower's then outstanding indebtedness upon the borrower's death or disability. The Arkansas Insurance Department directed the bank to cease and desist, claiming that the contracts were the functional equivalent of credit life insurance policies and, as such were subject to regulation by the Department, could not be sold without an insurance license, and that

insurance licenses could not be issued to banks in Arkansas. The bank argued that, as a national bank, its powers were governed by preemptive federal law; the Department countered that the federal McCarran-Ferguson Act left regulation of the insurance business exclusively to the states.

The Eighth Circuit looked *first* to Section 24 (Seventh) of the National Bank Act to determine the powers of the national bank in question. It concluded that debt cancellation contracts fit within the incidental powers of banks. The court *then* turned to the statute governing *non*banking activities to determine its applicability to the case at hand. It did not deny that debt cancellation contracts might be "insurance" for state law purposes, but concluded that that was an irrelevant consideration: "*Because* debt cancellation contracts offered by FNB fall within the incidental powers granted by the National Bank Act, they *do not constitute* 'the business of insurance' under the McCarran-Ferguson Act." *Id.*, 907 F.2d at 779.

Had the Eighth Circuit looked first at the statute governing nonbanking activities, as the Second Circuit did in this case, it could well have determined that debt cancellation contracts were insurance and left to the regulation of the Insurance Department, never reaching the "incidental powers" issue. That court examined the arguably applicable statutes in the reverse order from the Second Circuit's, the two decisions therefore being in conflict with one another.

In *Securities Industry Association v. Clarke*, 885 F.2d 1034 (2d Cir. 1989), *cert. denied*, 493 U.S. 1070 (1990), Security Pacific National Bank proposed to pool its mortgage loans and sell participations in that

pool to investors. The Comptroller of the Currency approved, and a trade association of the securities industry sued, claiming that the bank would be engaged in underwriting and selling securities in violation of the Glass-Steagall Act. The Second Circuit upheld the Comptroller's approval. It looked *first* at Section 24 (Seventh) of the National Bank Act, and found that that Section granted explicit powers to national banks to negotiate promissory notes or other evidences of debt, and that is precisely what Security Pacific was doing. The Court *then* reached the provisions of law governing the securities business, and found them inapplicable *because* it had already determined the activities to be authorized by the statute governing the banking business:

> Activity that falls within the "business of banking" is not subject to the restrictions the latter part of section 16 places on a bank's "business of dealing in securities and stock." Thus, the issues concerning the definitions of "securities" and "underwriting" only become relevant if the activity constitutes "the business of dealing in securities and stock." If the activity constitutes "the business of banking," then the Glass-Steagall Act prohibitions SIA claims are violated here do not apply.

Id., 885 F.2d at 1048.

In this case, where the court looked first to the statute governing nonbanking activities to determine the powers of a bank, it has acted in conflict with a different panel of the same court.

Obviously, this is not to say that the grant of power to national banks to engage in the business of banking

found in Section 24 (Seventh) can overcome explicit statutory prohibitions against banks engaging in a particular business or in a particular way. But there is no such prohibition here. Even if the Second Circuit is right in holding that the law gives a power in one section of the law and takes it away in another by negative inference, there must still be some principled way to choose which of those two sections actually governs the outcome of a particular case. Here, the Second Circuit claims to follow the rule of statutory construction that the statute addressing the matter under consideration in specific terms controls over one that does so in a general manner. 968 F.2d at 157 (citing *Crawford Fitting Company v. J.T. Gibbons Inc.*, 482 U.S. 437, 445 (1987)). That is an entirely fitting and proper rule of statutory construction where it is applicable. It is not applicable here. There is no reason to think that the term "act as the agent for any fire, life, or other insurance company" found in Section 92 is any more (or less) "specific" than is the term "carry on the business of banking" found in Section 24 (Seventh), nor does the Second Circuit opinion state why that court believes the former to be more specific than the latter. It merely premises its decision upon the unsupported assumption that it is so.

The more appropriate rule of statutory construction to follow—the one that *is* applicable in this case—is the rule that requires courts to give effect to the plain language of the statute. *See, e.g. Board of Governors of the Federal Reserve System v. Dimension Financial Corp.*, 474 U.S. 361, 373-75 (1986). Here, the court believed it was faced with the prospect of choosing between Section 24 (Seventh) and Section

92. One of those sections directs the answer by its own terms. The powers that are granted by Section 92 are "in addition to the powers now vested by law in national banking associations." With plain statutory language like that, it would seem incumbent upon the courts to decide—first—what those "other powers" might be. That would require looking—first—at Section 24 (Seventh). The fact that the Second Circuit here performed the statutory analysis upside down places it not only in conflict with the decisions of other circuits, but also in conflict with this Court's "plain language" rule of statutory construction.

II. The Important Question of Federal Law

The Petitions for Writ of Certiorari in this case and its companion case correctly point out the impact that the Second Circuit's decision will have upon the operations of a great many national banks if the decision stands and, particularly, if it is followed as precedent elsewhere.

Literally thousands of national banks act as agent in the sale of credit-related insurance—credit life and credit disability—in the exercise of their incidental powers, with the approval of the Comptroller of the Currency (12 C.F.R. § 2.6 (1991)) and the courts, without regard for the size of the jurisdiction in which they are located and doing business. *Independent Bankers Association of America v. Heimann*, *supra*, 613 F.2d 1164.

A substantial and growing number of national banks sell both fixed and variable rate annuities as agents, over the objection by representatives of the insurance industry that annuities are "insurance" products. Such sales are likewise approved by the Comptroller of the

Currency as an exercise of the incidental powers of national banks, again without regard to the size of the town in which the bank operates (Comptroller Interp. Letter No. 499 [1989-90 Transfer Binder] Federal Banking Law Rep. (CCH) ¶ 83,090 (Feb. 12, 1990); Comptroller Interp. Letter No. 331 [1985-87 Transfer Binder] Federal Banking Law Rep. (CCH) ¶85,501 (April 4, 1985), and approved by the U.S. District Court in the only challenge to the Comptroller's approvals. *Variable Annuity Life Insurance Co. v. Clarke*, 786 F. Supp. 639 (S.D. Tex. 1991), *appeal pending*, No. 92-2010 (5th Cir.).

The Comptroller of the Currency has approved the sale of municipal bond insurance by national banks, including a national bank in New York City, as an exercise of incidental powers of the banks, and the courts have upheld that action. *American Insurance Association v. Clarke*, 865 F.2d 278 (D.C. Cir. 1988).

The Comptroller approved the sale of debt cancellation contracts by national banks as an incidental power. The Eighth Circuit upheld that action in *First National Bank of Eastern Arkansas, supra*, 907 F.2d 775, even though the bank in question is located in Forrest City, Arkansas, population 13,364.[3]

The Second Circuit's decision is incompatible with all of the above regulatory action and court decisions and, if nothing else, casts doubt upon the validity of considerable portions of the activities of national banks of long standing, undertaken in reliance upon earlier regulatory and judicial approval.

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[3] *McFadden American Bank Directory*, Spring, 1992 (Arkansas) page 23.

But national banks are not the only banks with an important interest in the outcome of this matter. State chartered banks are affected by it as well. In as many as 37 states, there are so-called "wild card" or "parity" statutes.[4] With quite a few variations, these statutes generally provide that state chartered banks may have and exercise any powers that may be exercised by national banks located in the same state, notwithstanding other provisions of state law. In many jurisdictions, the "wild card" statute is the only source of authority for state-chartered banks to engage in one or more of the "incidental" functions described above for national banks. Consequently, if the Second Circuit decision remains unreviewed and unreversed, the loss of "incidental" powers by national banks shall inevitably result in the loss of comparable powers by a great many state chartered banks as well. Like their national brethren, state-chartered banks have invested in the development of "incidental" business and established business relationships with customers over a long period of time in justified reliance upon favorable regulatory and judicial action. The Second Circuit's decision threatens to disrupt much of settled practice, to the great detriment of both national and state chartered banks and their customers. It therefore presents a question of federal law of sufficient importance to warrant review by this Court, even independent of the two conflicts among the circuits that are created by the Second Circuit's decision.

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[4] *See* Appendix to this brief for complete listing.

CONCLUSION

For all of the reasons stated herein and in the Petition for Writ of Certiorari, the writ should be granted.

Respectfully submitted,

JOHN J. GILL
Counsel of Record

MICHAEL F. CROTTY
AMERICAN BANKERS ASSOCIATION
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 663-5026

Attorneys for Amici Curiae

November 12, 1992

APPENDIX

APENDIX

Wild Card/Parity Statutes

Alaska	Sec. 06.01.020
Arizona	Sec. 6-184(2)
Arkansas	Sec. 23-32-701(16)
Colorado	Sec. 11-2-103
Florida	Sec. 655.057
Georgia	Sec. 7-1-61(a)(1)
Hawaii	Sec. 403-47.1
Idaho	Sec. 26-1101(3)
Illinois	Ch. 311.¶5(11)
Kansas	Sec. 9-1715
Kentucky	Sec. 287.020
Louisiana	Tit. 6, §242(A)(15), Revised Stat.
Maine	Tit. 9B, §416
Maryland	Sec. 5-504 of Fin. Inst. Art.
Minnesota	Sec. 48.15 (Subd. 2)
Mississippi	Sec. 81-5-1(10)
Missouri	Sec. 362.105.3
Montana	Sec. 32-1-362
Nevada	Sec. 662.015(1)(f)
New Hampshire	Ch. 394-A
New Jersey	Sec. 17:9A-24a and 17:9A-25(12)
New Mexico	Sec. 58-1-54
North Dakota	Sec. 6-03-38
Ohio	Sec. 1125.23
Oklahoma	T.6, §203
Oregon	Sec. 707.340
South Carolina	Sec. 34-1-110
South Dakota	Sec. 51A-2-14
Tennessee	Sec. 45-2-601
Texas	Sec. 342-113(a)(4) of Civil Statutes
Utah	Sec. 7-1-301(3)
Vermont	T.8, §1163

Virginia	Sec. 6.1-5.1
Washington	Sec. 30.04.215
West Virginia	Sec. 31A-3-2(a)(5)(B)
Wisconsin	Sec. 220.04(8)
Wyoming	Sec. 13-3-704